

## **DRAFT CHAIRMAN'S REPORT – 2023 RAK AGM**

Good morning, all, and welcome to the 4<sup>th</sup> RAK Annual General Meeting. My name is Ken Masika, the Chairman of the RAK, and I would like to take this opportunity to allow my fellow officials of the Association to introduce themselves....

*(Hands over Mic to Vice Chairman, Treasurer, and Secretary)*

As you may be aware, the Association's main aim is to lobby for favorable policy within the REITs space and educate the market about the long-term benefits of investing in REITs, with the overall aim of growing REITs in Kenya.

### **A). NOTABLE STRIDES**

#### **I). GRC RATING WORKSHOP**

In **July 2022**: RAK partnered with GCR Ratings to conduct a workshop on REIT Ratings. GCR Ratings is a leading rating agency with a 25-year track record encompassing over 600 credit ratings across 25 countries in Africa. The forum was themed '**A deep dive into REIT Ratings**'. The keynote presentation highlighted that the largest use of financial rating instruments within the Capital Markets globally is by REITs. Ratings play a significant role in managing REIT capital structure and underpinning the sustainability of REITs in the long term.

#### **ii) ETHIOPIAN STOCK EXCHANGE (ESX)**

In **August 2022**: On 24th August 2022, the RAK Officials met with the Ethiopian Stock Exchange (ESX) Project Implementation Team to benchmark REITs best practices in Kenya. The team was apprised of how REITs work in Kenya, regulatory frameworks, challenges facing REITs, and benefits.

#### **iii). CAPITAL MARKET CONFERENCE**

In **November 2022**: RAK ended the year by participating in the Capital Market Conference on Real Estate Investment Trusts. This event brought together industry players, potential issuers as well as investors to deliberate on opportunities to grow the REIT market in Kenya and address challenges facing REIT in Kenya. Key takeouts from the conference include:

- A). The importance of RAK collaborating with other stakeholders to enhance awareness of REITs among investors and potential issuers.
- B). Market stakeholders to advocate for a favorable tax environment for REIT transactions in Kenya.
- C). Enhance awareness of tax incentives on REITs such as the exemption of stamp duty on listed and unlisted REITs.
- D). Engage pension schemes to consider leveraging REITs to reduce exposure to direct real estate and enhance compliance with recent regulations.
- E). CMA is in support of the RAK REITs toolkit and incubator program to enhance and fast-track the uptake of REITs in Kenya.

## **B). CURRENT AND ONGOING INITIATIVES**

### **I). THE REIT TOOLKIT AND INCUBATOR**

The first concept of the REIT Toolkit and Incubator started in 2022. The program is led by RAK, KPDA, and NSE with implementation support from CMA, KEPFIC, FMA, KASIB, KGBS and KMRC. The program is being funded by the Joint Capital Markets Program (JCAP) at the World Bank Group. The REIT Toolkit and Incubator seek to enable the design, registration, funding, and launch of new REITs in Kenya. The REIT Toolkit development initiative brings together industry experts focused on the capital market to design and develop the Toolkit with the assistance of international partners. The incubation process will include shortlisting potential REIT promoters and taking them through the REIT incubation process. This will educate the sector, increase the number of REIT issuances, and present an opportunity for industry professionals to produce solutions that will ease the incubation process. The REIT Toolkit & Incubator program began with the Kick-off meeting of the toolkit development on the 5th of April 2023 which brought together industry professionals from the REIT market i.e., Transaction advisors, Lawyers, Fund managers, and Regulators. The development of the template tools is underway with the 2<sup>nd</sup> workshop being held on 16<sup>th</sup> May 2023 and the next workshop is planned for 5<sup>th</sup> July 2023 at Kempinski. We look forward to launching the incubator in Q3. I would like to thank IFC-Jcap for providing financial assistance to this program.

ii). **REINSTATEMENT OF THE EXEMPTION OF STAMP DUTY**

As you are aware the exemption of stamp duty for REITS expired on 31<sup>st</sup> December, 2022. This would have an adverse impact on both existing and proposed REITS. RAK together with other industry stakeholders and regulators, specifically CMA submitted a policy proposal to The National Treasury.

The aim of the proposal is to have the exemption either extended or expunged in its entirety.

We continue to push for the same.

iii). **RAK ANNUAL CONFERENCE**

The Conference is scheduled to take place in Naivasha Enashipai Resort and Spa from 31st October to 2nd November 2023. The theme of the conference is **“Building Momentum & Unlocking the Power of REITs in East Africa”** which will provide a platform to discuss the current state of REITs in the region, identify challenges, and highlight opportunities for growth and development. The conference will consist of keynote speakers, panel discussions, case study presentations, interactive workshops, and networking opportunities (opening cocktail & gala dinner). Participants will have the chance to engage in meaningful discussions, share experiences, and build connections with key players in the REIT industry.

iv). **The Kenya National REIT (KNR):**

The creation of a Kenya National REIT (KNR) has advanced significantly through the efforts of the Capital Markets Authority (CMA), Sanduku Investment. The initiative, the Association of Pension Trustees and Administrators of Kenya (APTAK), and the Nairobi Securities Exchange (NSE). The goal of providing affordable housing around the nation has been furthered by Kenya National REIT as it is in line with the government's Economic Transformation Agenda. Through Special Purpose Vehicles, Kenya National REIT will register all Government sponsored REITS for the construction of affordable housing and infrastructure. We are delighted to have the lead coordinator of KNR Mr. Tom Mulwa here with us. He will be giving a presentation on KNR later in the program.

v). **PAN AFRICAN REIT Association**

RAK is in the planning stage of setting up a PAN AFRICAN REIT Association in collaboration with African Securities Exchanges Association (ASEA) known for its a reputable long-standing presence in its commitment to fostering the growth, development and advancement of investment products within the African securities industry.

**C). BOARD SUB-COMMITTEE REPORTS**

i). **THE MEMBERSHIP AND EVENTS COMMITTEE**

The committee continues to explore topical areas which can be built into discussion forums including Breakfast forums, Masterclasses, leading up to the REITs Conference.

Towards the end of 2022 and the beginning of 2023, we welcomed new members: Mi-Vida Homes, Liaison Group, CPF Financial Services Limited who joined in the corporate category. Additionally, we welcomed new individual members - Antonia Kihara, Peter Nga'nga' Kibugi, Crispus Kamau, Samantha Muna, and Sarah Wairimu Gitau.

The committee remains committed to fulfilling its purpose of maintaining and increasing active members and ensuring the Association remains relevant in the industry by organizing engaging and lively events.

ii). **THE POLICY, RESEARCH, AND PUBLICATIONS COMMITTEE**

The committee finalized and adopted the Memorandum of Understanding with The Center for Affordable Housing Finance Africa (CAHF) in June 2022. RAK has been holding collaborative meetings where different research areas of collaboration have been explored.



The Committee is also actively pursuing partnerships with regional organizations including the South Africa REIT Association (SAREIT), Women in Real Estate (WIRE), and Strathmore University.

The committee is in the conceptualization phase of coming up with the Data aggregation Center that was to serve as a depository for data on REITs in the local, regional, and global markets.

The Committee also remains committed to ensuring the regular publication of research reports and articles, including the periodic newsletter of the Association, as we continue to collaborate with partners like the University of Nairobi on research projects.

#### **D). CONCLUSION AND APPRECIATION**

RAK remains optimistic about the future of REITs in Kenya, despite the economic trials experienced globally and locally in the recent past. We believe that REITs can offer value addition to the Real Estate sector as a capital-raising tool for developers and a stable investment vehicle for both retail and institutional investors.

I would like to extend my sincere gratitude to the Main Committee, including our Chairman Emeritus, who has served diligently towards strengthening the Association since its inception in 2017. Thank you to the Membership and Events, and Policy, Research, and Publications Sub-Committees for undertaking your mandates with utmost dedication and ensuring the delivery of the initiatives of the RAK. I would also like to extend my gratitude to the Nairobi Securities Exchange and the Capital Markets Authority for their continued support and guidance towards RAK. Lastly, I would like to thank every one of our members for working collaboratively with us to ensure that the Association can fulfill its mandates in an effective and timely manner. I trust that we will continue to work collaboratively to ensure the growth of the REITs sector in Kenya.

***Thank you.***